Recommendations of the Nayak Committee

888. SHRI IQBAL SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government propose to implement the recommendations of the Nayak Committee as accepted by the Reserve Bank of India for the small industrial sector;

(b) if so, the details in this regard; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) to (c) The Reserve Bank of India (RBI) has considered the recommendations of Nayak Committee and as a consequence issued necessary guidelines to the Scheduled Commercial Banks. These guidelines, inter-alia, include:

(i) Preference to village industries, tiny industries and other small scale units, while meeting the credit requiremects of Small Scale Sector.

(ii) Banks have been asked to step up the credit flow to meet the legitimate requirements of the SSI sector in full during the Eighth Five Year Plan for which they would have to draw up an annual credit budget.

(iii) The definition of a Sick SSI unit and rate of interest applicable for Working Capital Term Loan (WCTL) granted as part of a rehabilitation package has been suitably modified. In order to arrest sickness in SSI units whenever * there are signs of incipient sickness banks have been advised to closely monitor the progress of the unit, and wherever necessary additional finance is to be provided if such a course is warranted.

(iv) An effective grievance redressal machinery within each bank which can be approached by the SSIs in case of difficulties will be set up.

(v) Banks have been advised to adopt the "Single Window Scheme" to provide both Working Capial and term loans.

(vi) For the credit requirements of village industries, tiny industries and other SSI units having aggregate fund leased working capital credit limits upto Rs.one crore from the banking system, the norms for inventory and receivables as also the First Method of Lending will not apply. Instead such units may be provided working capital limits computed on the basis of a minimum 20% of the projected annual turnover for new as well as existing units.

Working of UCO Bank

889. SHRI SURESH KALMADI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank of India have written to the Finance Ministry about their perception on the working of the UCO Bank and as such has strongly indicated the prevailing work culture in that Bank;

(b) if so, what is Government's reaction thereto; and

(c) what steps Government propose to take to improve the working of other nationalised banks so as to avaid the repitition of such recommendations from the RBI?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY

AFFAIRS (DR. ABRAR AHMED): (a) Yes, Sir.

(b) Government have already advised the Reserve Bank of India to prepare a plan for the restructuring of weak banks, including UCO Bank.

(c) Banks were advised by the Reserve Bank of India to prepare action plans to improve their working in key areas such as reduction in non performing assets, improving profitability through effective recovery measures, improving credit appraisal, technological upgradation to enhance productivity as well as human resource development.

All the nationalised banks including UCO Bank have entered into agreements with the Reserve Bank of India in terms of which commitments have been obtained relating to their performance in these key areas.

Flow of Rural Credit

890. MISS SAROJ KHAPARDE: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to initiate several measures to speed up the flow of rural credit; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED); (a) and (b) The existing rural credit policy is so formulated to meet the credit needs of agriculture and allied activities, cottage and village industries, handicrafts and other rural crafts. Rural borrowers all over the country are provided loans by public sector banks for activities undertaken by them on their own or through schemes framed by Government in this regard. The financing of such activities by the credit institutions is a part of their normal lending operations on a continued basis. Under Service Area Approach introduced by Reserve Bank of India from 1989, all villages in the country are now allocated to the branches of commercial Banks and Regional Rural Banks (RRBs). All the service area branches of commercial Bank and RRBs are now preparing village-wise annual credit plans which take into account the requriements of credit for all types of borrowers in try villages. The small, medium and large farmers besides the Government sponsored programmes.

A number of steps have been taken with a view to increase flow of credit in rural areas the important ones are:—

(i) Banks have been instructed that all applications upto credit limit of Rs. 25,000/- are to be disposed off within a frotnight and those over Rs. 25,000/- within 8-9 weeks.

(ii) To facilitate speedy disposal of applications, the applications forms are made available in regional languages. Terms and conditions regarding margin/securtity should be printed on the reverse of the application form itself.

(iii) The interest on loans upto Rs. 25,000'- is kept low at 12.0% per annum.

(iv) Term loans are provided at concessional rates.

(v) No third-party guarantee or collateral security is to be insisted upon for loans upto Rs. 10,000/-

(vi) There should be no compounding of interest on current dues.

(vii) Appropriate sanctioning powers have been delegated to the rural branch managers so that majority of loan applications are sanctioned at branch level itself.

(viii) While effecting disburesement of loans, banks are required to make payment as far as possible directly to the suppliers of assets/ inputs by means of crossed che-ques/demand drafts.